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COST OF USSR CONTROL OVER EASTERN EUROPE -- RECENT YEARS VS. PRE-1953

Since 1953, and particularly since the Hungarian and Polish uprisings of late 1956, the cost of Soviet control in Communist Eastern Europe has risen sharply. Soviet direct economic assistance to the area plus the relinquishment of Soviet claims upon current Satellite production since mid-1953 amount to more than \$5 billion. This may be compared to the pre-1953 period of Soviet extraction when almost \$10 billion was appropriated from the fixed capital and current production of this area.

The USSR in the post World War II period used its military occupation of Eastern Europe to dismantle and physically remove to the USSR a huge volume of machinery and equipment. In the process it seriously eroded the ability of East Germany and Poland to recreate their prewar industrial and agricultural situation. Production facilities in Rumania, Poland, Hungary and East Germany which could not be moved were placed under joint Soviet-Satellite companies and a large part of their output siphoned off to the USSR to satisfy reparations demands. The strategic resources of the area such as uranium ores, petroleum, bauxite and coal were contracted to the USSR for long periods at prices which were ridiculously low in terms of prevailing world prices.

While a minimum of \$10 billion was being extracted under this program prior to 1953, less than \$1 billion was being put back under Soviet plans to

transform the area into its coming Communist paradise of industrial self-sufficiency. Much of this input was directed toward industries to produce goods for export to the USSR and for military hardware. While production and civilian consumption in the area had risen above wartime levels, civilian consumption remained substantially below prewar levels.

Open unrest in East Germany and thinly veiled unrest in Poland, Czechoslovakia and Hungary in 1953 led to a partial mellioration of Soviet domination of the region. The impact of the demise of Stalin and increased emphasis on production of consumer goods extended from the USSR into Eastern Europe. Soviet reparations demands were scaled down, particularly in East Germany. The new Soviet leadership gingerly permitted some expansion of the area of indigenous control of economic activity. On balance, however, East European economies were little improved, although the USSR's give in the area became about equal to its take.

Open rebellion in Hungary and the threat of rebellion in Poland in the autumn of 1956 reversed Soviet economic posture in Eastern Europe. The USSR was forced to move quickly to assure that its control over the area might rest on more than the existence of naked force. Soviet loans were quickly forthcoming to furnish material to re-establish the Hungarian economy. Loans were extended to East Germany and Poland to finance needed agricultural commodities. East German, Polish and Rumanian contracts, negotiated under the duress of 1945-46, were amended to provide

higher prices for their exports and equitable payment for the support of Soviet forces in the area. Of the \$5 billion of Soviet economic relief to the area since 1953, more than 80 percent was a direct response to the 1956 "disaffection."

The current net-cost of Soviet influence in Eastern Europe is over \$700 million a year, not counting the outlay for Soviet military forces stationed in the area. Most of the cost of the latter is now borne by the USSR.

Recent Soviet investment in Eastern Europe has developed a stronger industrial base in the area which adds to the long-run worth of the area as a Soviet trading partner. The area provides a substantial addition to the industrial capability of the USSR, perhaps 40 percent. It is a major source of Soviet industrial imports as well as a market for many Soviet raw material and industrial exports. To the extent that even substantial economic assistance to the area may forestall the necessity of application of additional military force in the area, it is cheaper economically as well as politically to follow such a course.

Finally, despite Soviet expenditures in Eastern Europe to shore up Soviet control, the USSR has been singularly incapable of buying more than grudging adherence to Communist control. Few people, even among the leadership, regard their present economies as viable instruments for the effective use of local materials and labor. Expansion of total production to levels above the prewar years has been lost on -- if not regarded with outright hostility by -- a population which has yet to achieve prewar standards of living in most areas.